

MEETING MINUTES CITY OF MILPITAS

Minutes of:	Special Meeting of the Milpitas City Council
Date:	Monday, March 14, 2006
Time:	6:00 PM
Location:	Council Chambers, Milpitas City Hall, 455 East Calaveras Blvd.

I. ROLL CALL

Mayor Esteves called the meeting to order at 6:00 PM. All gathered said the pledge of allegiance.

PRESENT: Mayor Esteves, Vice Mayor Gomez, Councilmembers Giordano, Livengood and Polanski

ABSENT: None

II. CITIZENS FORUM - None

III. APPROVAL OF AGENDA

Motion: Approve agenda for this evening's meeting

Motion/Second: Councilmember Polanski/Councilmember Giordano

Motion carried by a vote of:	AYES: 5
	NOES: 0

IV. BUDGET PLANNING AND DIRECTION TO STAFF FOR FISCAL YEAR 2006-07

City Manager Charles Lawson provided an overview of City finances for the coming Fiscal Year. He informed the City Council that department and division managers were available to speak and/or to answer questions.

Mr. Lawson described a large budget deficit, up to \$6.5 million, that was anticipated. There was a heavy emphasis on use of reserve funds to balance budgets over the last few years. Responsibly, the City had adopted cost control measures and was well on its way to a balanced budget by June 30, 2006. All segments of City government operated at 95% of their budget allocation, and staff had only filled absolutely necessary positions, and all departments were operating with vacancies, while the work was still getting done well, on time. He described a significant decrease in the number of City employees out on disability compared to a couple of years ago. The City Manager's opinion was that the City could balance if it could control personnel costs, which represented over 80% of the budget. This evening, staff would present some ideas for next year's budget and seek Council direction.

Finance Director Emma Karlen presented the Council with a more detailed overview of budget expectations. The General Fund revenues were about \$50 million, with the total budget around \$70 million. As usual, General Fund was revenue up and down, and would likely increase over the next year. She noted that FY 07 revenue was lower than FY 01, while expenditures continued to rise – a lot. It was primarily due to employee salaries and benefits, and supplies, which caused the largest expenditure increase from last year projected to next year.

Ms. Karlen went on to review the Redevelopment transfer of funds to acquire City properties. She pointed out, too, that PERS rates continued to rise, though those appeared stable versus prior fiscal years. The largest cost increases came from medical insurance premiums, which were up 112% in the last six years. \$1.7 million savings was noted

via personnel attrition while that savings may not be very much next year. On a positive note, she said the ERAF \$1 million transfer to the state occurred for last time this year.

Answering a question about tax revenues anticipated next year, the Finance Director stated there was a 15% increase in property tax revenue and 4% increase in sales tax. In response to a question about how close Finance staff was on revenue projections last year, Ms. Karlen replied that the City exceeded expectations a little bit. With regard to staffing, there were currently about 80 vacancies, with 65 unfunded positions. In FY 2005-06, the City only funded 95% of budget requested and had some savings, but there was still a debt at the end of that.

Vice Mayor Gomez asked what was the deferred capital equipment? Staff gave the example of the continued use of a vehicle that still operates, rather than replacement of the car with a new one.

Mayor Esteves asked about computers and the schedule for replacement. Information Services Director Bill Marion said that computers were replaced approximately every 4-5 years, including the re-allocation of some machines. For example, when grant money was available for the Police Department in the last year existing computers were used in other parts of the City as needed. Mr. Marion stated that three to five years was his best guess on when computers were replaced in the City. There was not a set schedule for replacement, rather when they broke down, they were repaired or replaced.

Councilmember Livengood complimented Mr. Marion on the manner in which computers were cared for and replaced on the as-needed basis.

The Finance Director described to the Council, in order to solve the \$6.5 million gap, staff was considering several strategies:

- 1) reduce budget requests from the Departments
- 2) reduce part-time and temporary clerical support
- 3) eliminate program: school Crossing Guards
- 4) eliminate program: Pre-School
- 5) eliminate program: Stay & Play
- 6) defer \$4.5 million redevelopment transfer from FY 06 to FY 07, and
- 7) increase revenue or locate new sources of revenue (such as 9-1-1 fees on phone bills or an increase business license tax)

Vice Mayor Gomez commented that staff could work with Traffic Engineer Jaime Rodriguez, to locate priority intersections that could qualify for his and Councilmember Polanski's "Safe Streets Program" for improvements to lights, crosswalks and streets in Milpitas.

Ms. Karlen continued, showing five year budget projections, when there would be approximately a \$5-6 million deficit anticipated each of those future fiscal years. Unfunded liability needs to be funded, per action of the Council's Finance Subcommittee.

Employee salaries and benefits increases were predicted to be smaller, but costly each year. She explained that the City would be looking at the structural imbalance continuing. One item to consider would be the employees-to-population ratio, and to consider the overall salary and benefits package offered to City employees. Additionally, staff could check out the cost effectiveness of specific programs, such as DARE and the appropriate number of fire stations for the City.

Questions from the City Council:

Councilmember Polanski asked, when the PERS rate was placed under the miscellaneous category, did that include City Council? Staff replied yes. Salary increases were set at 0%; but, were there other increases, like longevity pay? Staff replied yes, including merit increases, but not considering MOU settlements. Ms. Polanski asked what was the cost of the DARE program to the City? Staff replied three police officers staff the program. City Manager Lawson said the price tag was about \$450,000.

Councilmember Polanski spoke regarding crossing guards, and she considered the “safe streets” program was important. Particularly, in the past, more parents were at home. Now, people drive longer distances to go to work. Slowing down flashing signs at intersections could help slow down drivers. She remained concerned about the eliminating crossing guards suggestion.

Recreation Manager Bonnie Greiner provided more information about the programs proposed to be cut, in response to Council questions. For one year, they eliminated one location for the Stay & Play program. 143 children were enrolled currently. In the past, 155 children on average enrolled. At sites where the City has after-school care, other vendors (the School District and YMCA) also offer after school care. City services were available at four sites, and thus some duplication exists. \$210,000 was budgeted solely for part-time staff for programs. Pre-school could only accommodate 144 children, at the non-licensed pre-school. In Milpitas, there were numerous licensed ones in town, with 25 programs for various aged children.

Vice Mayor Gomez commented there were often no community members at these meetings, when discussing critical City expenditures. Other cities hold public budget meetings at sites other than City Hall, and priorities were to be discussed in different neighborhoods. He would like the community to get engaged in this process and to ask what was important to you – the community? Mr. Gomez felt it was important to find out where the sentiment was, in the broader Milpitas community.

City Manager Lawson responded with his opinion that the community would not want to cut any programs.

Vice Mayor Gomez wondered if staff gave people five colored dots, and asked people to select their top five programs, if that would be of benefit.

Councilmember Polanski, said from her School Board experience, they did something similar with the dots. You could find out what’s most important to a group of people.

Councilmember Giordano said the DARE program was dear to her heart.

Mr. Lawson specified that DARE operated with guidelines and there was not any way to cut it back to “save” money on the program. The City did not want to reduce police off the street, while DARE was a teaching position. In the past, the City used to have 5 DARE officers, while now there were three and the City was trying to maintain just that. Police Chief Thomas Nishisaka told Council there were other programs are out there besides DARE, which also operate to keep children off drugs, and other school districts used teachers rather than full-time sworn police officers, and mentioned alternatives. Chief Nishisaka added that there was a current effort to certify DARE academically, and to provide data on its actual effectiveness.

Mayor Esteves asked a question about the number of fire stations. Ms. Karlen said the City could study and evaluate the effectiveness of the number and responses of stations for a city of Milpitas’ size. The City Manager stated that there were few calls, for example, at Station 4 (near McCarthy Ranch) with a limited number of calls for emergency medical service.

The Mayor also inquired how many programs could \$1.5 million pay for? He related the dollar amount of the proposed increase in personnel salary and benefits for the next fiscal year. Further, Mayor Esteves asked what the impact was of delaying the redevelopment funds transfer. Ms. Karlen replied that the longer the City delayed doing that, the fund would earn more interest, and it helped to balance the General Fund bund. If the city does not go forward with that step, there was still a \$4.5 million deficit ongoing.

The Main Sewage Pump Station needs replacement, the Mayor noted from the last subcommittee meeting. Most projects not funded out of the General Fund (but from CIP and others), reported the City Engineer. There would be important CIP items coming up next year, and while, in the past, RDA funds would have been a major source for those projects, redevelopment funds soon would not be available to pay for critical items like this.

Mayor Esteves asked the City Manager whether there was any specific feedback from the officers doing the DARE program, and he responded, no specific feedback recently, no.

Another recommendation from the City Manager for future planning was that the City Council move to adopt a two-year budget cycle in future years.

The Finance Director then provided information regarding the Redevelopment funds. Vice Mayor Gomez asked her about tax increment money for housing. Ms. Karlen reported it was 4-6% of funds.

Councilmember Giordano had read through each department's draft budget requests and had some specific questions related to personnel costs, and staff responded to her questions.

Vice Mayor Gomez stated a need for priority setting sessions, before he could decide what to cut, based on staff suggestions. He wanted to receive community input.

City Manager Lawson reminded the City Council that time was short, there was a need to do something by May and he emphasized the five-year program, going forward continuing "in the hole." He sought direction from Council to find ways to improve the budget situation.

Councilmember Livengood mostly listened and had seen much of this information before, and it was a good thing staff came to Council with alternatives on how to get our hands around the serious deficit. He could not say he gravitated to one or another program suggested at this meeting. The community and employees needed to understand the deficit, he said, and the Council could not solve it simply by taking money out of reserves.

Mr. Livengood expressed that the staff was doing an awfully good job, with 80 positions not filled, and still work was getting done well. Meanwhile, there were difficult decisions to make. He liked the idea of asking community what they want, going out there with a list of programs and asking the community what was most important. He asked the Council to authorize it soon. He did not want to make decisions in a vacuum, that's a step in the right direction.

He considered the people the City partners with, and those days are over when we just absorb costs without input – especially MUSD. He compared how schools gave out a 5% raise to employees while the City employees got 0%. It was necessary to find a way to co-sponsor with other City partners, like the idea of involving teachers to help with the police DARE program. He agreed it was time for Council to hear from the community before budgeting decisions were made in May.

Councilmember Giordano felt getting community input is very important. She was somewhat hesitant, in that in the past the City tried in vain to have "town meetings" but they were minimally attended. Ms. Giordano reiterated that she was here to represent the City in its entirety, not solely those who show up at one community input meeting.

Councilmember Polanski reported that the Community Advisory Commission had done town hall meetings in the past, with a lot of people turning out when something significant was on the agenda. Maybe when too general, not as many people attended. Maybe if the focus was on three or four areas would be good. Perhaps people could call in to ask questions of those on the dais, and also on the website people could give input, early.

Vice Mayor Gomez reiterated by choosing four or five school sites, they could branch out a lot more, to gather input from more than the "usual crowd." Holding the sessions in different parts of the cities would help. Councilmember Giordano suggested holding the meetings at the two junior highs. Vice Mayor Gomez added hosting these at the four corners of the city.

Mayor Esteves suggested holding the meetings at maybe one non-school center. The Mayor needed more information to consider cutting any of the programs suggested tonight. He stated the need for staff to present information objectively, not skewed. He stressed his view of the need to focus on children and their needs in the City and in the community. He also agreed that the City should talk to people in the community and to provide and receive good information from the public on the budget.

Vice Mayor Gomez stated the meetings should be staff driven, not with any Council opinion or input. He wanted lots of time for the community to give remarks and input to staff, who would simply be brief and to the point.

Public Comments:

Rob Means, as proposed, the City would get a balanced budget with money shifted from Redevelopment to the General Fund. The point not being considered though was that next year the City would have a full deficit to deal with again. He wanted the City to resolve it, by figuring out how it could cover a \$2.5 million shortfall again; when, next year the City would have to find that amount again. His suggestion was do it in small steps instead of one large step.

Isaac Hughes, would like to hear more speakers from the public, and felt it was contradictory to have a limit of three minutes to speak. He stated a public information request for Rosemary Beltran's handwritten notes taken during the meeting and wanted a copy of those. If there was a problem with electricity, you would have a generator for back-up, for example. He suggested placement of a generator or back-up plan for how the city was run. There should be enough people in Milpitas who want to volunteer for the Fire Department, and gave the example of Mr. Livengood serving as a volunteer reserve Police Officer. Citizens deserved the services they want, and now the City was at a point where the Redevelopment Agency cannot bail you out any more.

City Council Action:

Motion: to accept the input provided this evening by the City staff, to direct staff further to set up one night of four community budget sessions with citizens providing input, and that input would later be reported to the City Council before its meeting on the budget in mid-May

Motion/second: Councilmember Livengood/Vice Mayor Gomez

Motion carried by a vote of:

AYES: 5

NOES: 0

V. ADJOURNMENT

Mayor Esteves adjourned the meeting at 7:45 PM.

Meeting minutes respectfully submitted by:

Mary Lavelle, City Clerk

The foregoing minutes were approved by the Milpitas City Council as submitted on April 4, 2006.

Mary Lavelle
City Clerk